

Education Savings Accounts and the Future of Education

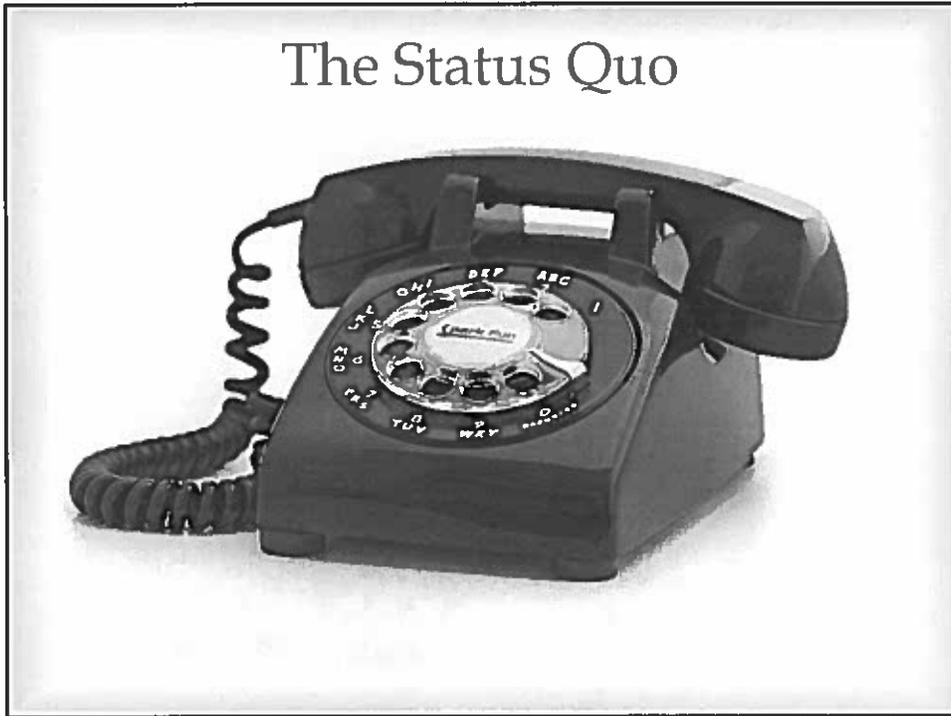
Jason Bedrick, Cato Institute



The Status Quo



The Status Quo



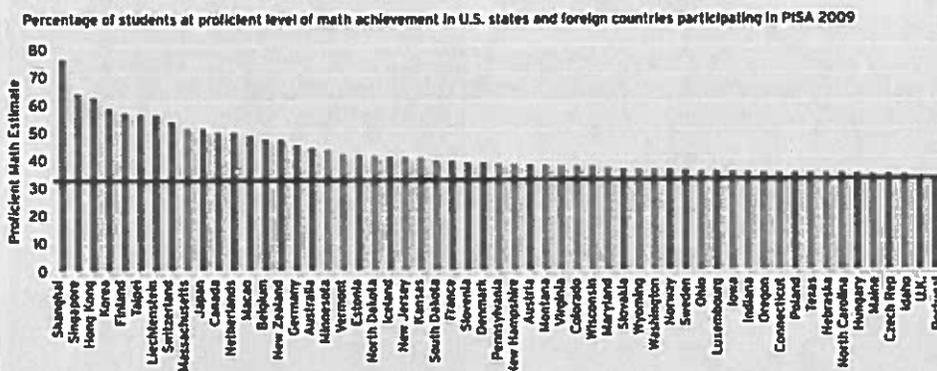
The cover of the report 'A Nation At Risk: The Imperative for Educational Reform'. The title is in large, bold, serif font. Below it, the subtitle 'THE IMPERATIVE FOR EDUCATIONAL REFORM' is in a smaller font. At the bottom, there is a small emblem and the text 'The National Commission on Excellence in Education'.

"If an unfriendly foreign power had attempted to impose on America the mediocre educational performance that exists today, we might well have viewed it as an act of war."
-Nation at Risk report, 1983

U.S. Not Academically Competitive

Class of 2011, Math Performance in Global Perspective (Figure 1)

The U.S. ranks 32nd in the percentage of students proficient in mathematics among countries participating in PISA.

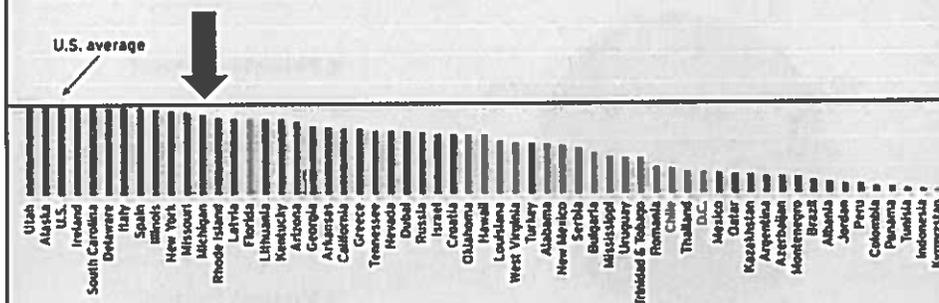


Source: "Globally Challenged: Are U.S. Students Ready to Compete?" Harvard University, 2012

U.S. Not Academically Competitive

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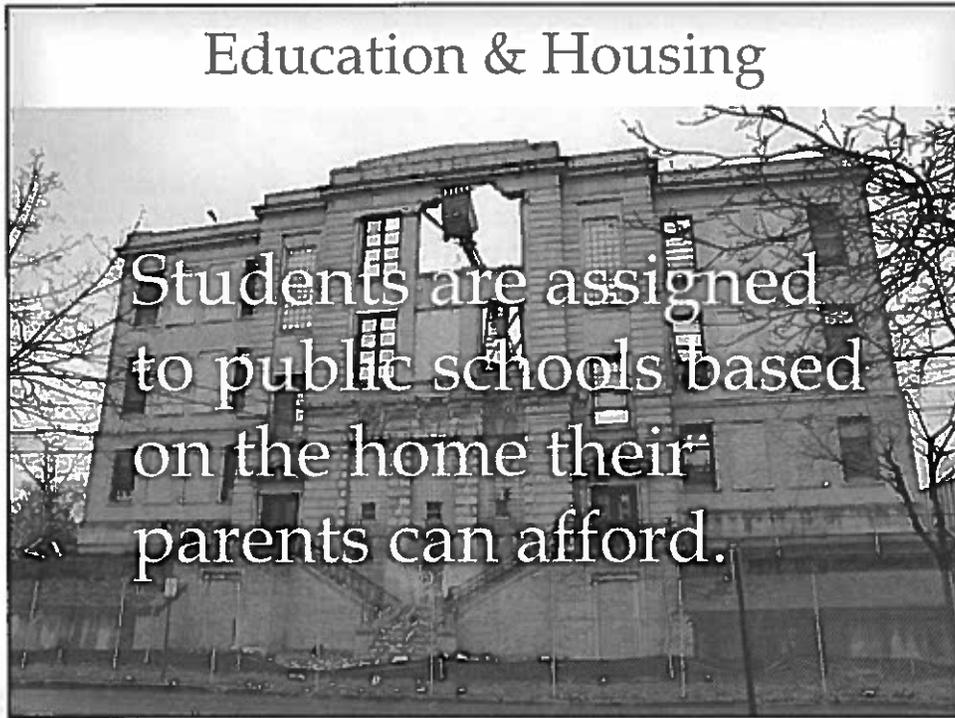
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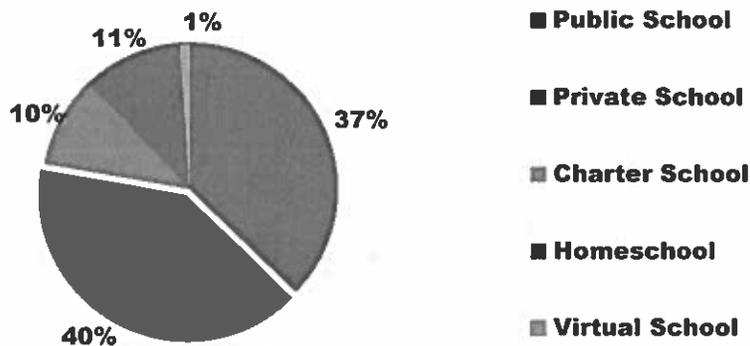
Education & Housing

Students are assigned to public schools based on the home their parents can afford.

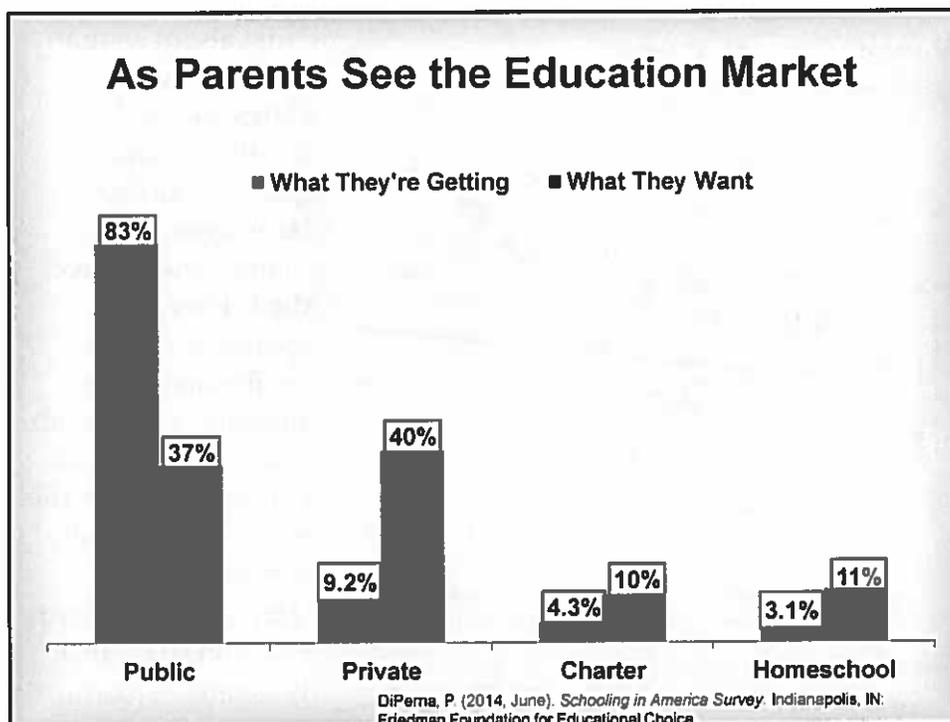
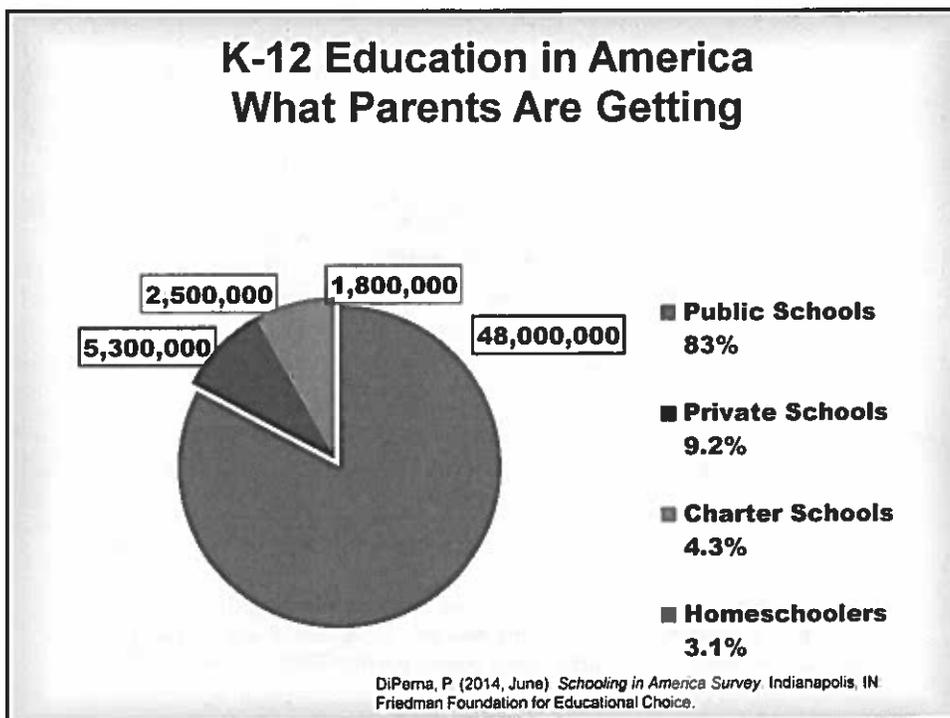


What Parents Want (National Poll)

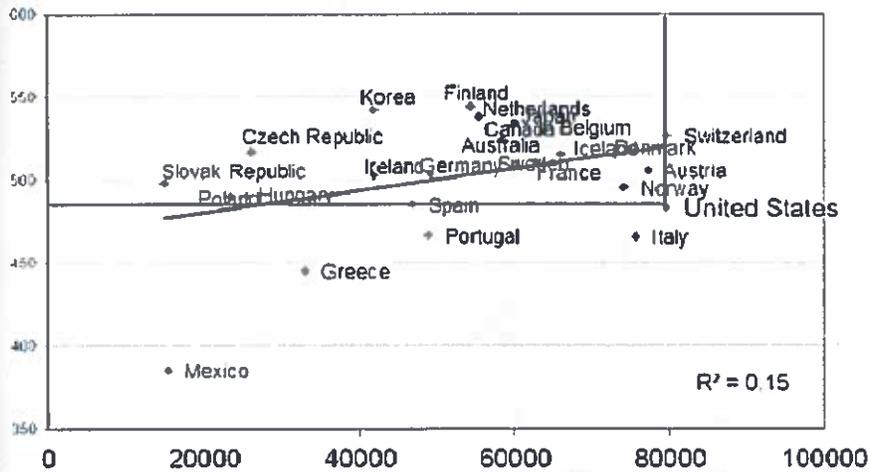
If Free to Choose Any Type of School



DiPerna, P. (2014, June). *Schooling in America Survey*. Indianapolis, IN: Friedman Foundation for Educational Choice.



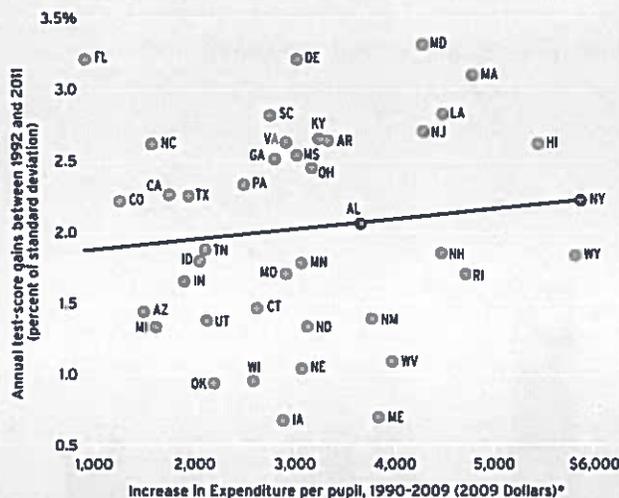
Performance Not Correlated With Resources



Relationship between performance in mathematics and cumulative expenditure on educational institutions per student between the ages of 6 and 15 years, in US dollars, converted using purchasing power parities (PPPs). Source: OECD.

Money Is Not the Answer (Figure 4)

Spending more does not necessarily lift test scores.

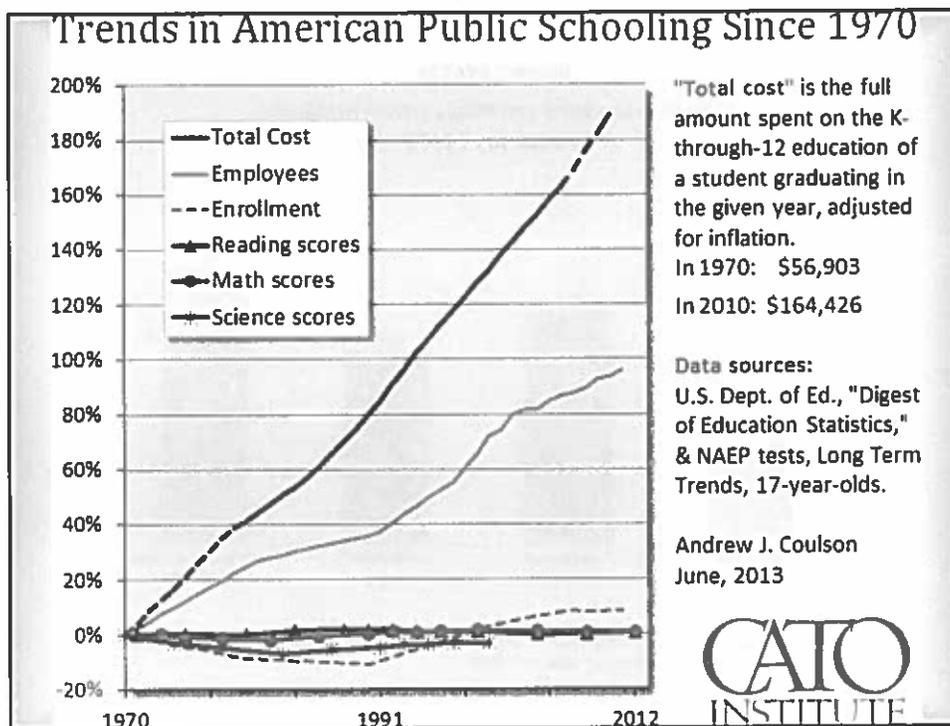
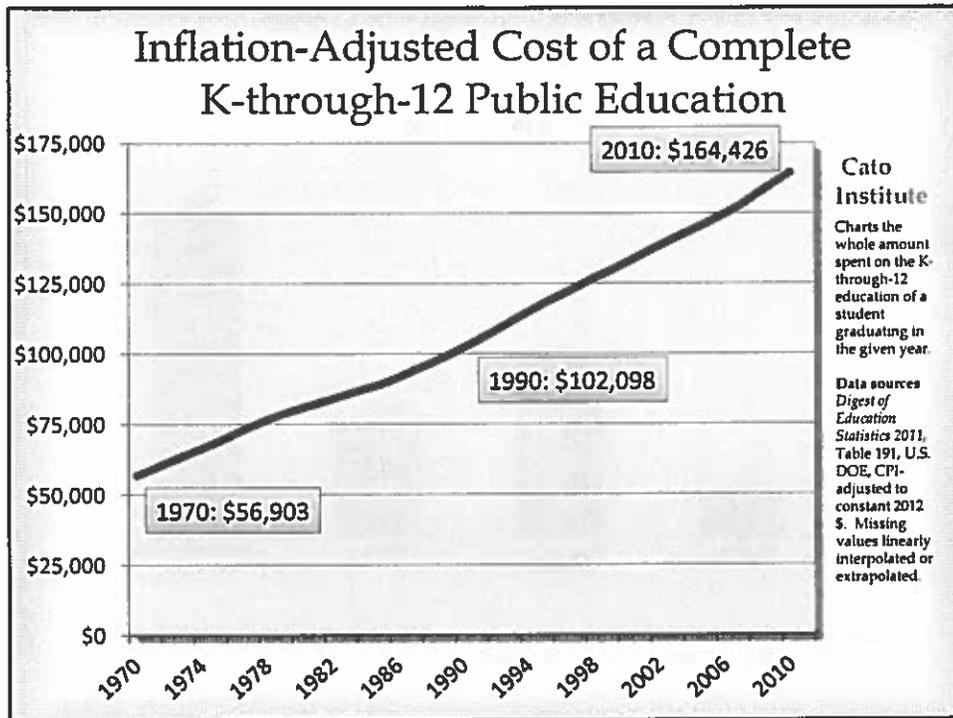


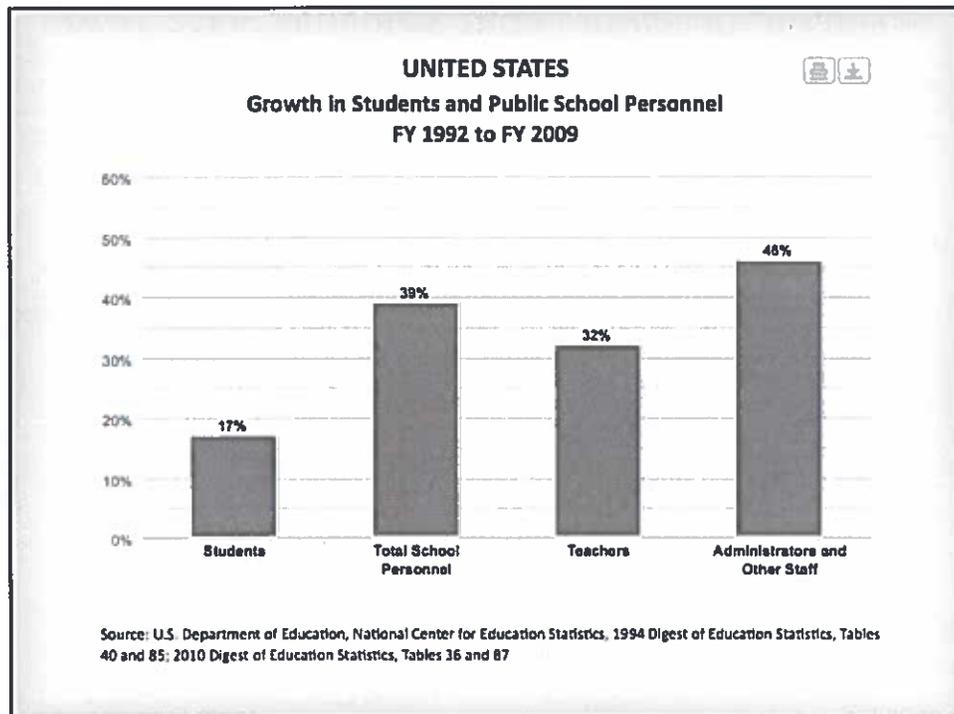
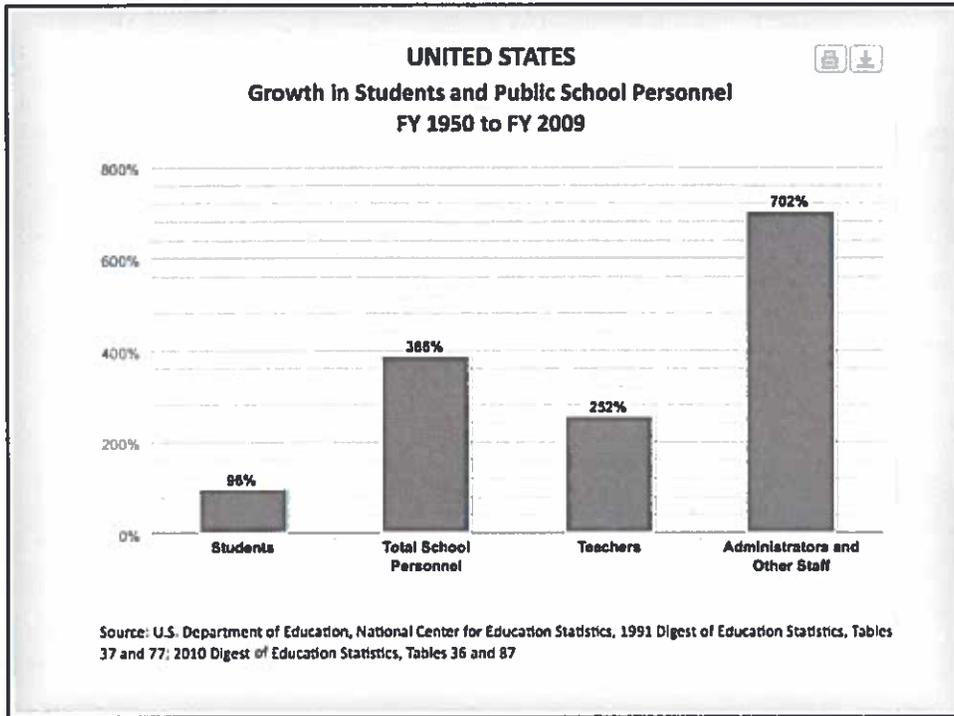
*Expenditure increments are adjusted for inflation

SOURCE: Authors' calculations based on National Assessment of Educational Progress and Digest of Education Statistics

“Just about as many high-spending states showed relatively small gains as showed large ones.... And many states defied the theory [that spending drives performance] by showing gains even when they did not commit much in the way of additional resources.”

-Hanushek (Stanford), Peterson (Harvard), Woessmann (Berlin)





State of U.S. Public Schooling

- Flat mediocre performance
- Falling behind internationally
- Low-income students generally lack access to a quality education
- Parents in general aren't getting what they want
- Increasingly expensive
- Less efficient

Four Ways of Spending Money

		On Whom Spent	
		Yourself	Others
Whose Money	Yours	Category I: Strong incentive both to economize and maximize value.	Category II: Strong incentive to economize; weak incentive to maximize value.
	Others	Category III: Weak incentive to economize; strong incentive to maximize value.	Category IV: Weak incentive either to economize or maximize value.

District Schools

Four Ways of Spending Money

		On Whom Spent	
		Yourself	Others
Whose Money	Yours	Category I: Strong incentive both to economize and maximize value.	Category II: Strong incentive to economize; weak incentive to maximize value.
	Others	Category III: Weak incentive to economize; strong incentive to maximize value.	Category IV: Weak incentive either to economize or maximize value.
		School Vouchers	District Schools

TABLE 1 Academic Outcomes of Choice Participants

Location	Author	Year	Results			
			Positive Effect		No Visible Effect	Negative Effect
			All Students	Some Students		
New York	Chingos & Peterson	2012		X		
New York	Jim et. al.	2010		X		
D.C.	Wolf et. al.	2010	X			
Charlotte	Cowen	2008	X			
New York	Krueger & Zhu	2004			X	
New York	Barnard et. al.	2003		X		
New York	Howell & Peterson	2002		X		
D.C.	Howell & Peterson	2002	X			
Dayton	Howell & Peterson	2002		X		
Charlotte	Greene	2001	X			
Milwaukee	Greene et. al.	1998	X			
Milwaukee	Rouse	1998	X			

Note: This table shows all empirical studies using random-assignment methods.

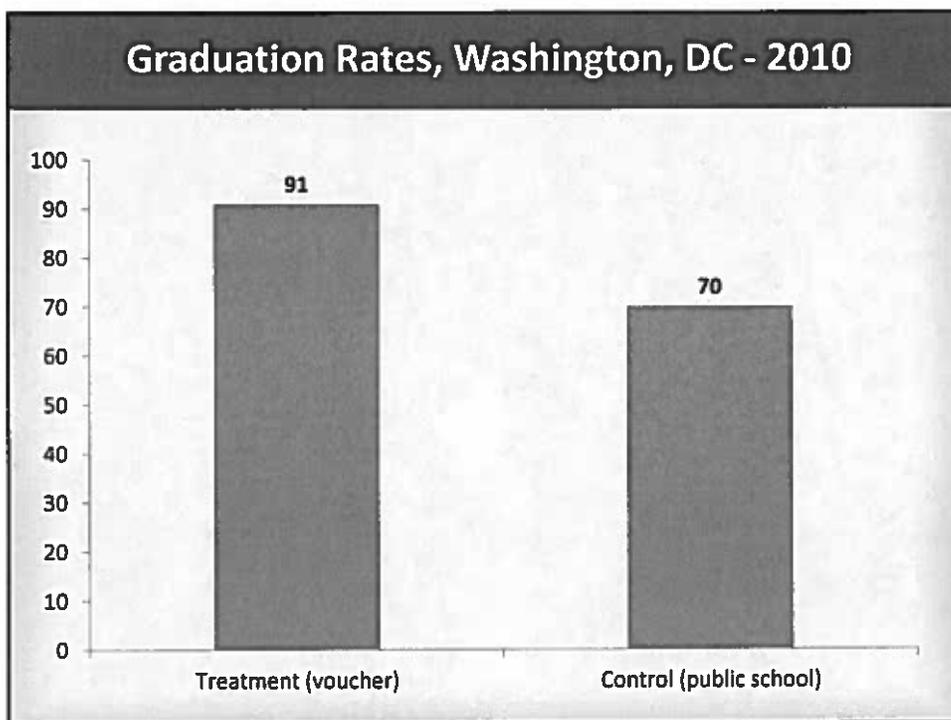
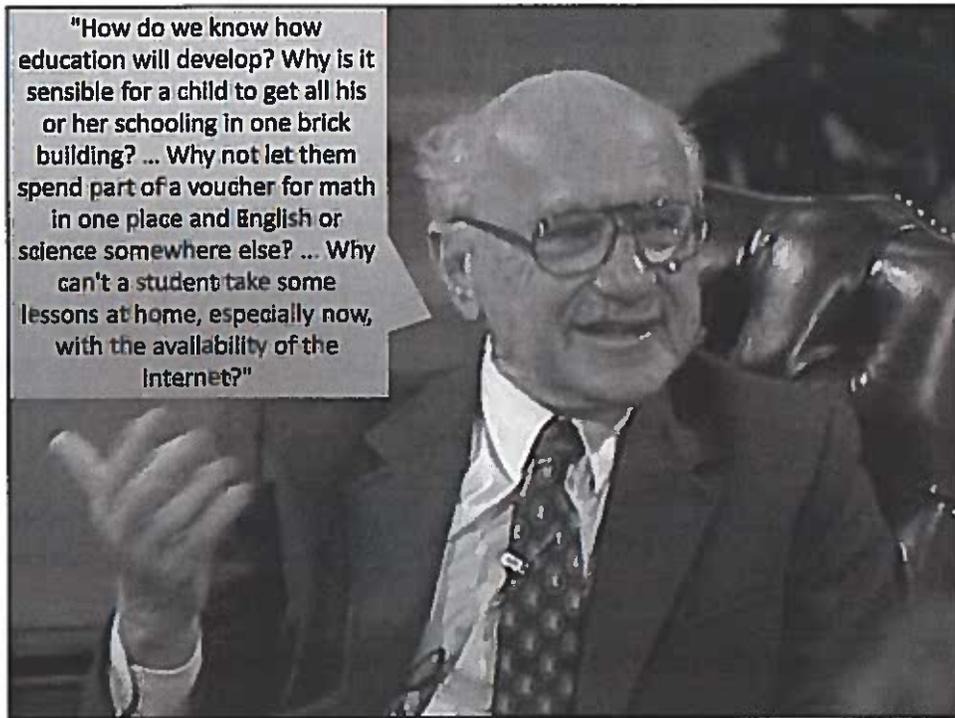


TABLE 2 Academic Outcomes of Public Schools

Location	Author	Year	Results		
			Positive Effect	No Visible Effect	Negative Effect
Florida	Chakrabarti	2013	X		
Florida	Winters & Greene	2011	X		
Ohio	Carr	2011	X		
Florida	Figlio & Hart	2011	X		
Milwaukee	Greene & Marsh	2009	X		
Ohio	Forster	2008	X		
Florida	Forster	2008	X		
Milwaukee	Chakrabarti	2008	X		
Florida	Chakrabarti	2008	X		
Milwaukee	Chakrabarti	2007	X		
Florida	Rouse et. al.	2007	X		
Milwaukee	Carnoy et. al.	2007	X		
D.C.	Greene & Winters	2006		X	
Florida	Figlio & Rouse	2006	X		
Florida	West & Peterson	2005	X		
Florida	Greene & Winters	2004	X		
Florida	Chakrabarti	2004	X		
Milwaukee	Greene & Forster	2002	X		
San Antonio	Greene & Forster	2002	X		
Maine	Hammons	2002	X		
Vermont	Hammons	2002	X		
Milwaukee	Hoxby	2001	X		
Florida	Greene	2001	X		

Note: This table shows all empirical studies using all methods.



Four Ways of Spending Money

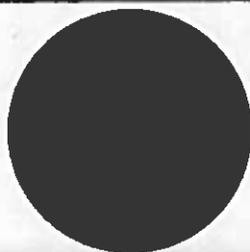
		On Whom Spent	
		Yourself	Others
Whose Money	Yours	Category I: Strong incentive both to economize and maximize value. Education Savings Accounts	Category II: Strong incentive to economize; weak incentive to maximize value.
	Others	Category III: Weak incentive to economize; strong incentive to maximize value. School Vouchers	Category IV: Weak incentive either to economize or maximize value. District Schools

Education Savings Accounts

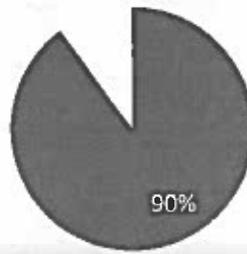
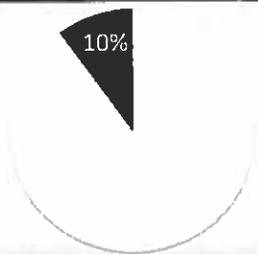
Restricted-use bank accounts parents can use for educational expenses for their children or save for future expenses.



Arizona Education Savings Accounts



Arizona Education Savings Accounts



SCHOOLING SATISFACTION

Arizona Parents' Opinions on Using
Education Savings Accounts

JONATHAN BUTCHER and
JASON BEDRICK, M.P.P.

THE FRIEDMAN FOUNDATION
FOR EDUCATIONAL CHOICE
edchoice.org

October 2013

Arizona ESAs: Eligibility

- Students with special needs (including pre-K)
- Students assigned to a public school with a "D" or "F" grade
- Children who were adopted through the state foster system
- Children of active-duty military members or a member killed in the line of duty
- Children living in Native American lands
- Siblings of eligible students

TABLE 1 ESA Students' Special Needs

Special Needs	Percent of Survey Responses
Hearing Impaired	3.0%
Multiple Disabilities, in Resource Program	19.4%
Multiple Disabilities, in a Self-Contained Program	29.9%
Multiple Disabilities, Severe Sensory Impairments	11.9%
Orthopedic Impairments, in Resource Program	1.5%
Orthopedic Impairments, in a Self-Contained Program	6.0%
Preschool Students with Special Needs	3.0%

TABLE 1 ESA Students' Special Needs

Special Needs	Percent of Survey Responses
Developmental Delays	34.3%
Emotional Disabilities	6.0%
Moderate Mental Retardation	4.5%
Visually Impaired	4.5%
Students in Kindergarten, Third Grade	4.5%
English Language Learners	0.0%
None of the Above	7.5%

Note: Responses may not total to 100 percent because survey participants could select multiple categories.

Arizona Education Savings Accounts

Permitted Uses:

- o private school tuition
- o textbooks
- o tutoring services
- o online classes
- o homeschool curricula (including books, videos, counting blocks, and other homeschool materials)

Arizona Education Savings Accounts

Permitted Uses (continued):

- educational therapies (e.g. - speech therapy)
- standardized test fees
- college savings plans
- college tuition and fees; and
- discrete public school classes and extracurricular activities

FIGURE 8 Different Uses of Education Savings Accounts

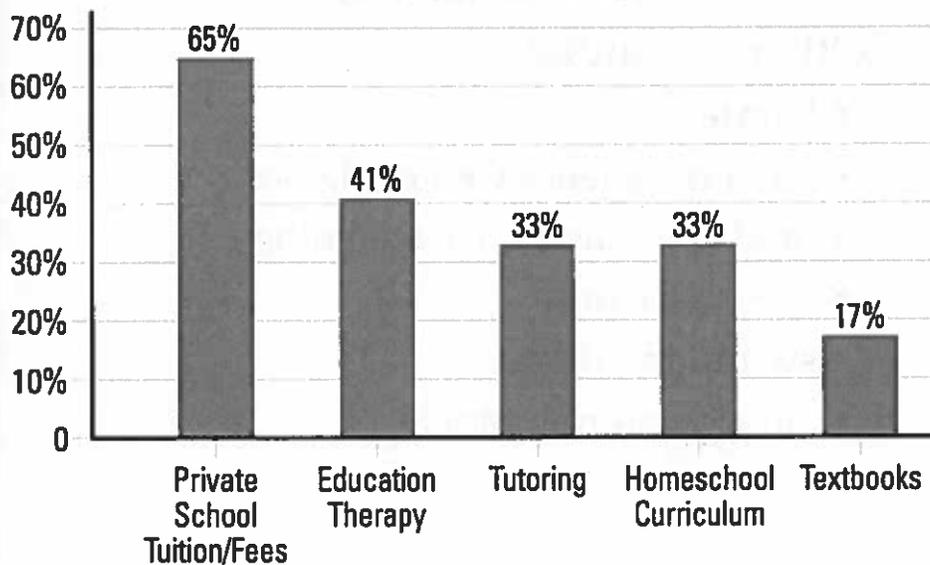
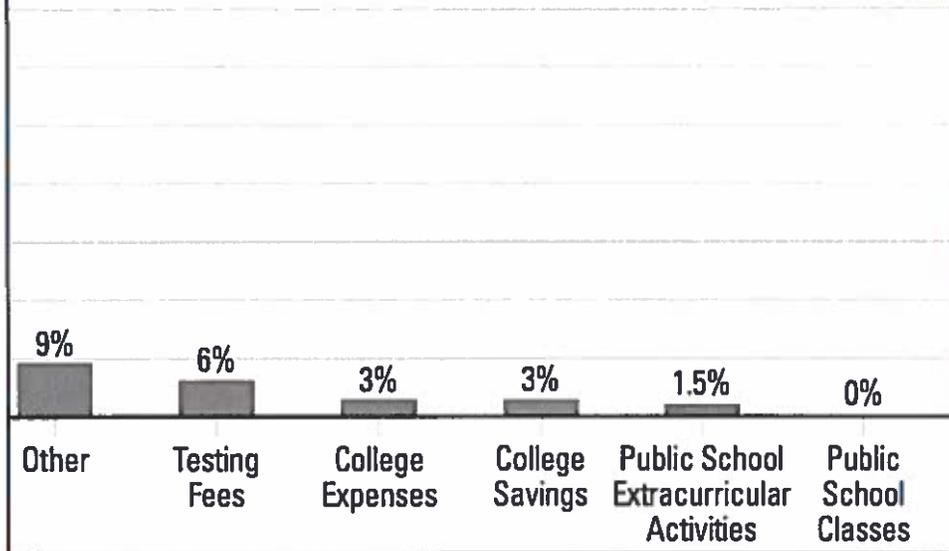


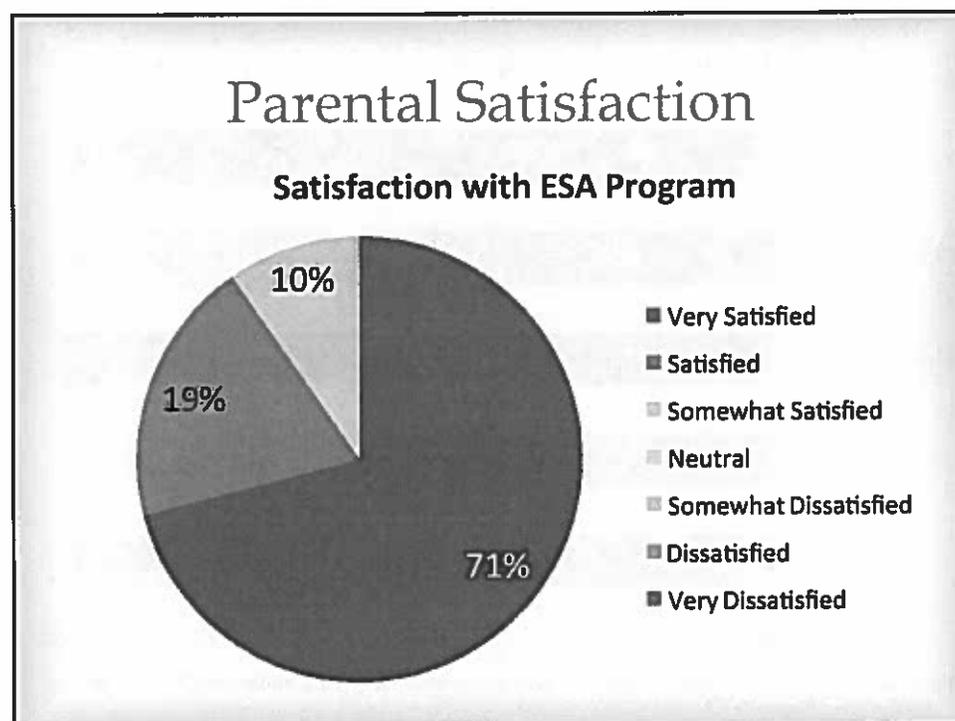
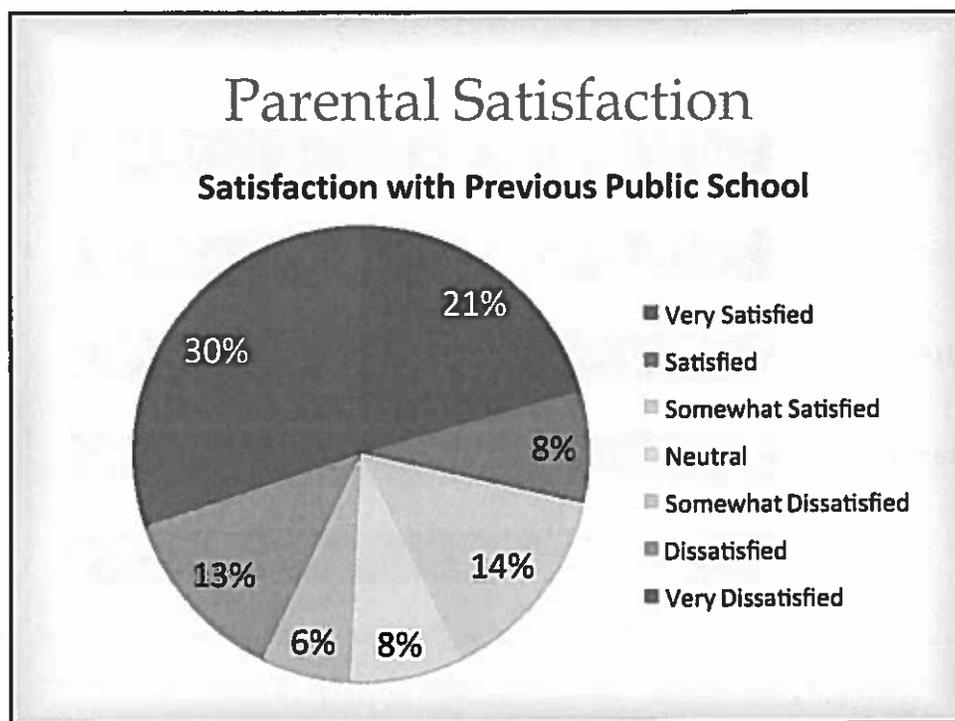
FIGURE 8 Different Uses of Education Savings Accounts

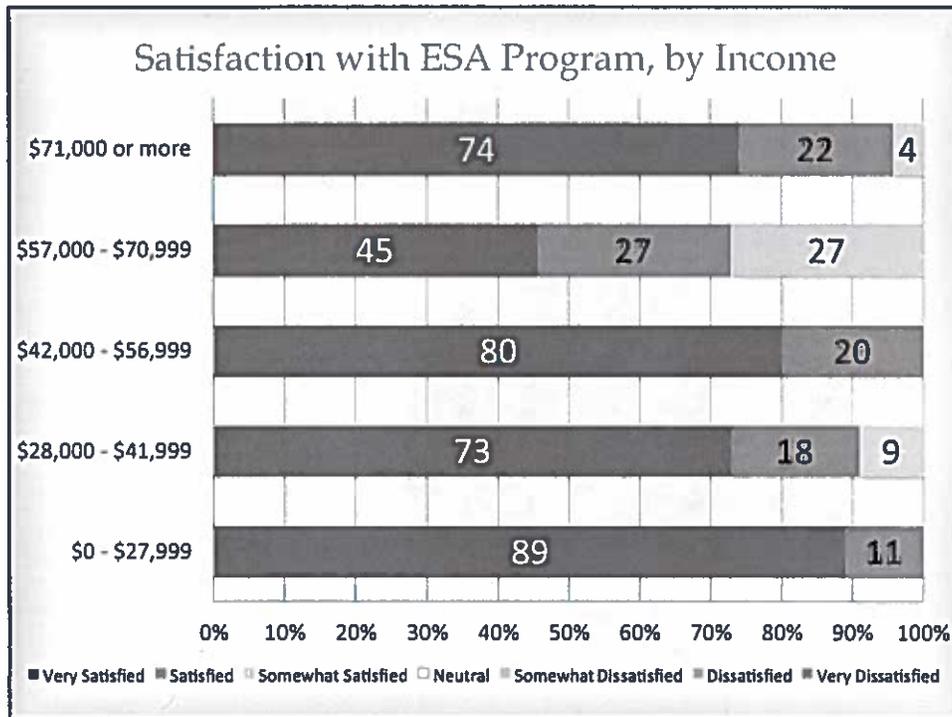
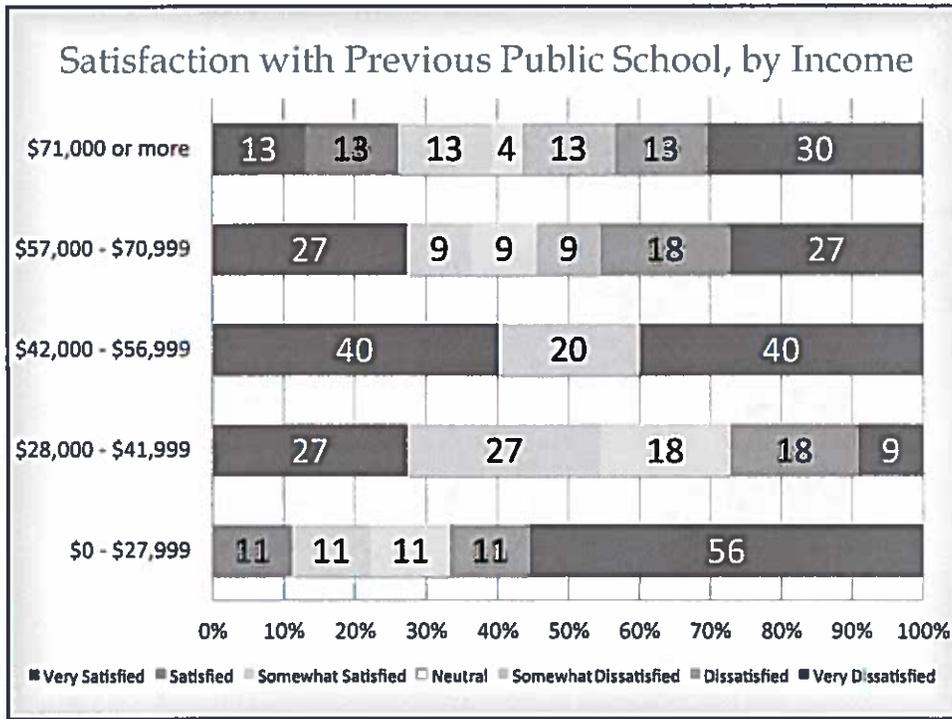


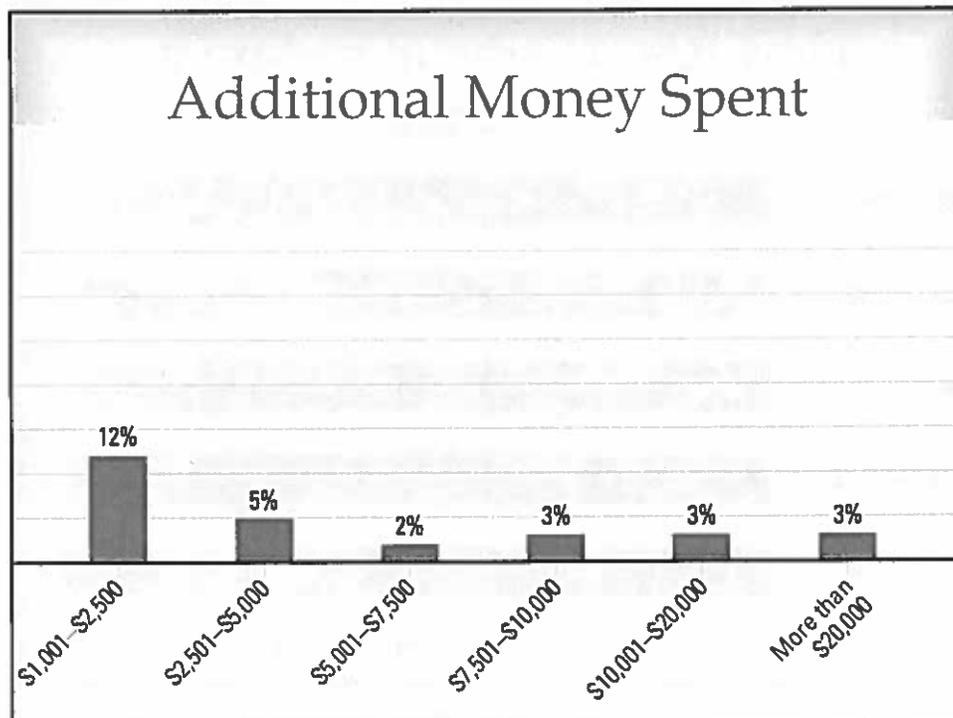
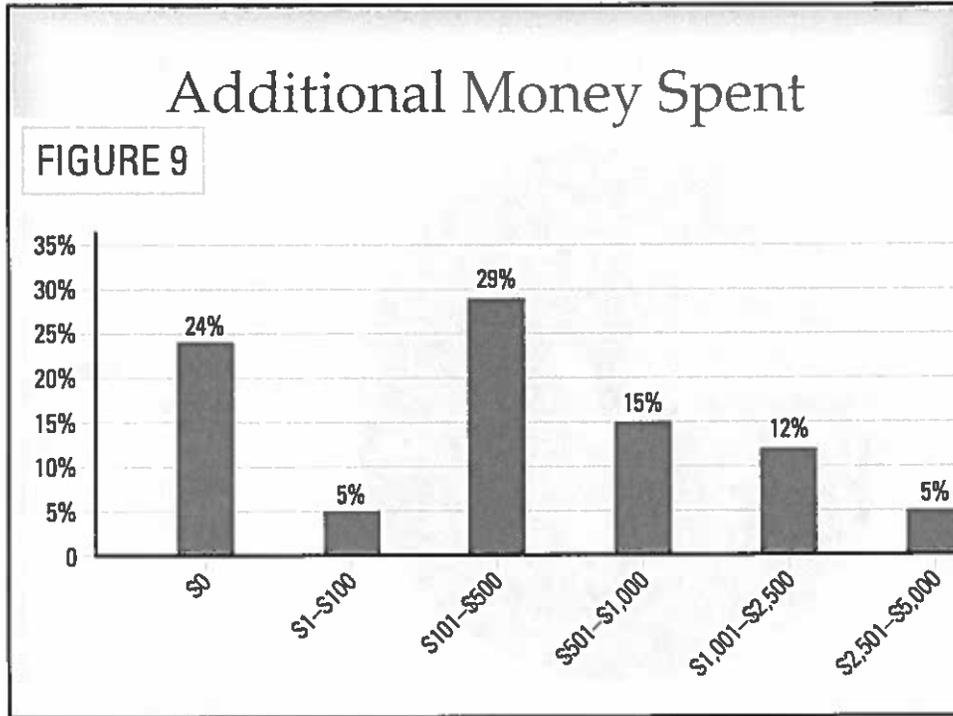
Arizona Education Savings Accounts Uses

“Other” included:

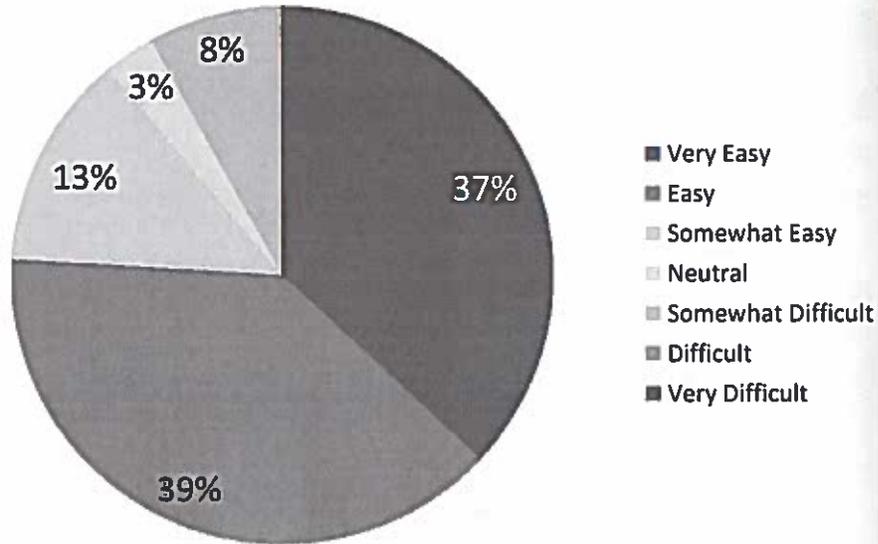
- karate
- Arizona Science Center classes
- braille and assistive technology
- speech therapy
- swimming therapy
- aide/paraprofessional



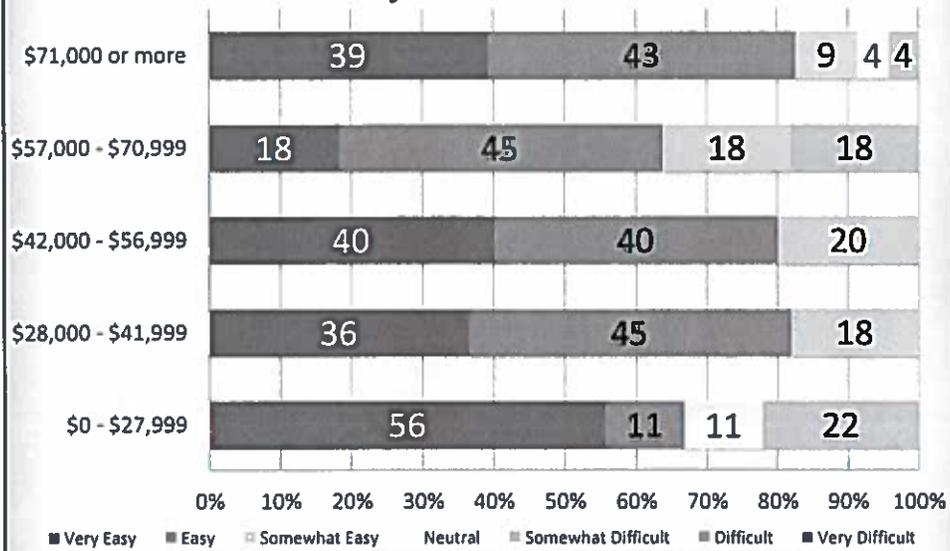


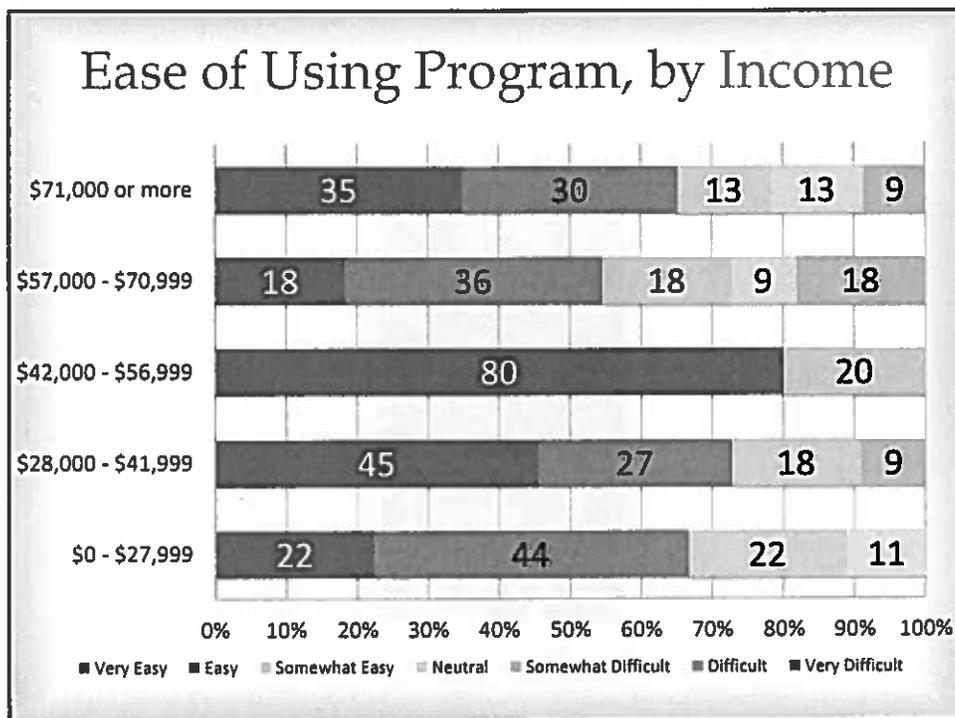


How Easy/Difficult to Apply



How Easy/Difficult to Apply, by Income







The Promise of Educational Choice

- Greater educational opportunity for the poor
- Parents get what they want
- Improved performance
- Greater efficiency
- Greater innovation

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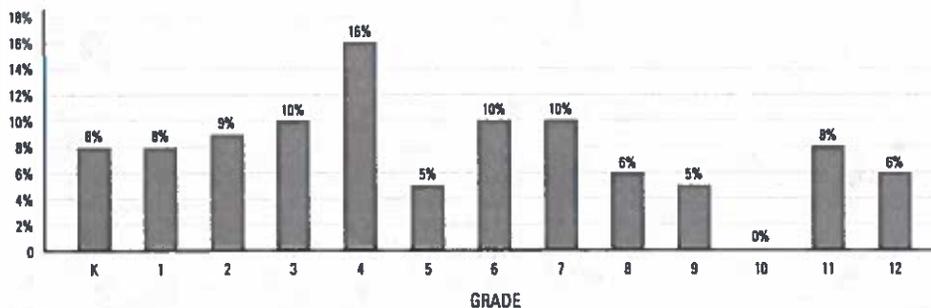
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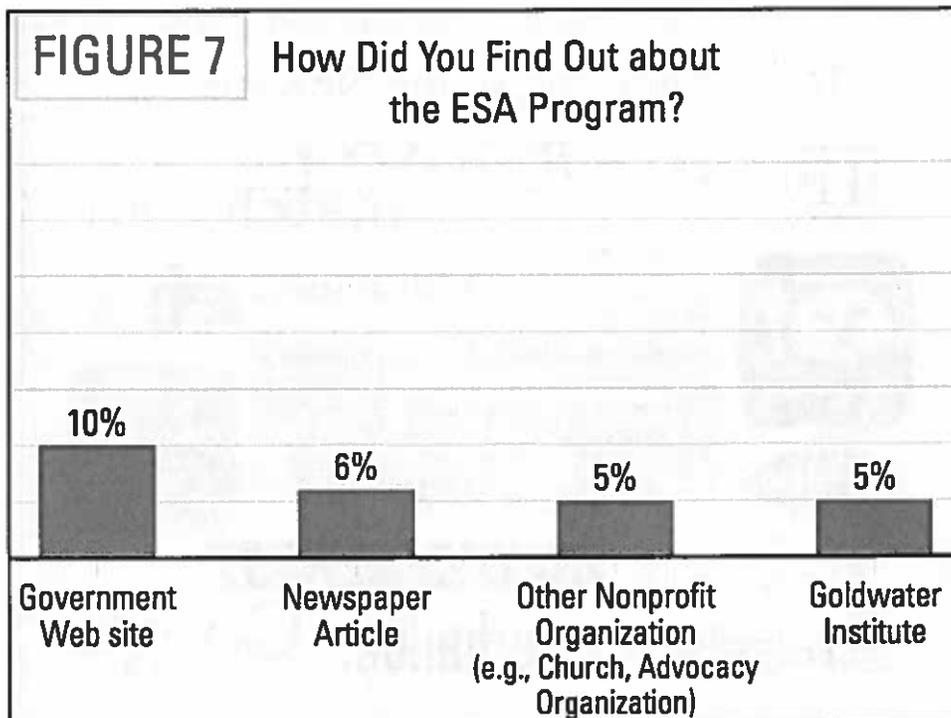
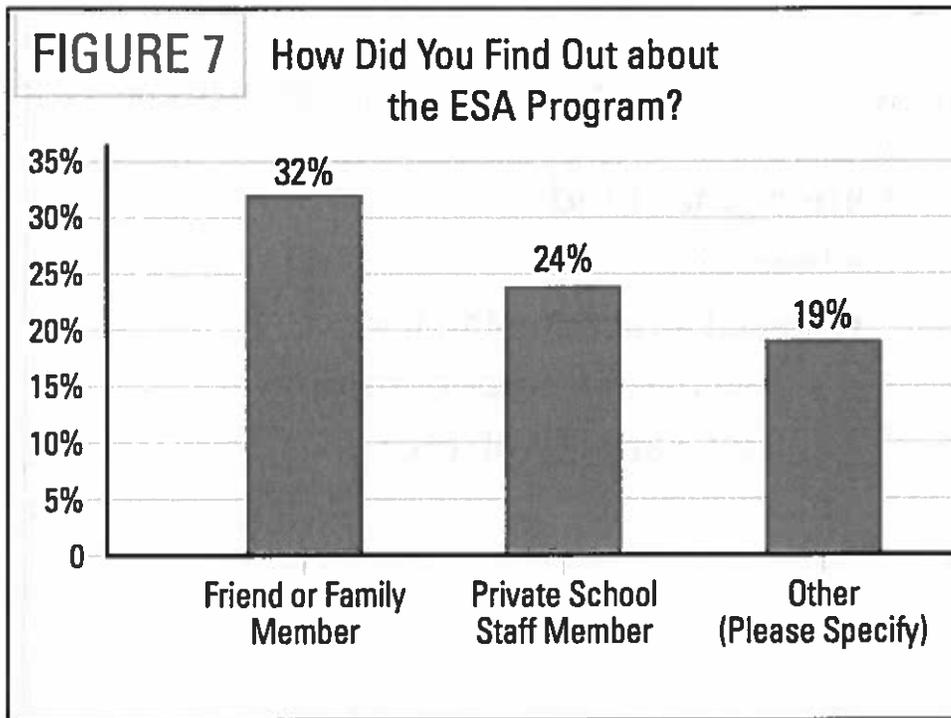
State	Eligibility	Students required to attend a public school prior to using an account	Funding	Academic Transparency	Program Administration	Allowable Uses	
Arizona (ARS 15-3441 to 3444)	<ul style="list-style-type: none"> Children with special needs Children from failing schools Children in active-duty military families Adopted children Incoming kindergarten students Exchange of serving account holders Prevental children with special needs Children living on Native American Reservations A child using a scholarship under the state's tax credit scholarship law for children with special needs ("Lear's Law") 	Yes (except incoming kindergarten students, preschool students with special needs, and children of military members listed in action)	90 percent of the state portion of the state funding formula for each student, plus additional assistance (approximately \$1200) Students with special needs receive additional funding based on the state's weighted school funding formula (an average of \$13,800-\$15,200)	No requirements	Arizona Department of Education	<ul style="list-style-type: none"> Private school tuition Textbooks Educational therapies Tutoring Curriculum Online classes Standardized test fees or AP test fees Contributions to a Covered education account account College tuition College textbooks 	<ul style="list-style-type: none"> Fees for management of the empowerment scholarship account by fees selected by the treasurer Public school services Insurance or surety bond payments as required by the department of education
Florida (Chapter 2014-104)	<ul style="list-style-type: none"> Children with specific special needs diagnoses Based on state appropriations, approximately 5,000 students will be served in the 2015-16 school year 	Yes	<ul style="list-style-type: none"> Approximately \$10,000 per student The legislature must appropriate funds each year. For 2016, the state appropriated \$33.4 million 	Students must take a nationally norm-referenced test	Step Up for Students and AAA Scholarship Foundation	<ul style="list-style-type: none"> Instructional materials, including digital services Curriculum Special education therapy Private school tuition College tuition 	<ul style="list-style-type: none"> Online courses Standardized test fees Prepaid college tuition plans Public school services
Mississippi (SB 2006 as sent to the governor)	Children with an active Individualized Education Plan (IEP)	Yes	\$4,500	No requirements	Mississippi Department of Education	<ul style="list-style-type: none"> Private school tuition Textbooks Personal tutors Curriculum Transportation costs Online classes Standardized test fees Educational therapy Public school classes and infrastructure supplies 	<ul style="list-style-type: none"> College tuition College textbooks Surety bond payments Consumable materials (limited to \$50) Computer hardware and software
Tennessee (SB 27)	Child with specific special needs diagnosis	Yes	\$4,620	Students must take a nationally norm-referenced test	Tennessee Department of Education	<ul style="list-style-type: none"> Private school tuition Textbooks Personal tutors Curriculum Transportation Online classes Standardized test fees Covered college savings plans 	<ul style="list-style-type: none"> Educational therapy Public school classes and infrastructure programs College tuition College textbooks
Nebraska (SB 302 as amended)	All public school students	Yes	90 percent of the average books support per student (100 percent for low-income students. Average textbooks are estimated to be \$4,100 to \$5,700)	Students must take a nationally norm-referenced test	Nebraska Treasurer	<ul style="list-style-type: none"> Private school tuition Textbooks Personal tutors Distance education programs Standardized test fees 	<ul style="list-style-type: none"> 1 companion (\$750 per year) College tuition College textbooks

For more information contact: Jonathan @ Miller, Goldwater Institute Education Policy Director | jbmiller@goldwaterinstitute.org

ESA Grade Level Distribution

FIGURE 5 Which Grade Does the ESA Student Currently Attend?





How Participants Learned About ESA Program

“Other” included:

- therapist
- special education lawyer
- online parent support group
- autism Yahoo! web group

The Unbundling of the Newspaper



THE HUFFINGTON POST

monster® match.com®



From The Sports Desk

Outdoors



Outdoors Outpost by @huffpost

Breathing oxygen linked to staying alive

The underlying issue here is not the oxygen, which is not a thing, but the fact that we are breathing it. The fact that we are breathing it is a good thing, and it is a good thing that we are breathing it. The fact that we are breathing it is a good thing, and it is a good thing that we are breathing it.



Confidence Comes Standard.™

eHarmony® DRUDGE REPORT

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Overview of All Key Studies on School Choice

Empirical Studies on School Choice			
	Positive Effect	No Visible Effect	Negative Effect
Academic Outcomes - Participants	11	1	0
Academic Outcomes - Public Schools	22	1	0
Fiscal Impact	6	0	0
Racial Integration	7	1	0
Civic Values & Practices	5	4	0

Note: Shows the number of empirical studies with each type of finding. The first row includes all studies using random-assignment methods. Other rows include all studies using all methods.

